

IN DEBTS RECOVERY APPELLATE TRIBUNAL, ALLAHABAD

Appeal Dy. No. 574/2022

Housing and Urban Development Corporation Ltd., HUDCO Bhawan India Habitat Centre, Lodhi Road, New Delhi- 110003 and also having one of its Regional Offices at 2nd Floor, Block-B/2, Mauryalok Complex, Dak Bunglow Road, Patna, Bihar-800001 through its Authorized Officer.

.....Appellants

Versus

1. M/s Shashi Bhusan Cold Storage Pvt. Ltd through its Managing Director, Regd. Office at Village & P.O.-Beruli, Via Baniapor, District Saran, Bihar-841403.
2. Shri Shashi Bhusan Singh, S/o Ramjee Singh, Presently residing at Village & PO Beruli, Baniapor, District Saran, Bihar-841403.
3. Shri Ramjee Singh, S/o Shri Basdev Singh, Presently residing at Village & PO Beruli, Baniapor, District Saran, Bihar-841403.
4. Shri Narendra Kumar Singh, S/o Ramjee Singh, Presently residing at Village & PO Beruli, Baniapor, District Saran, Bihar-841403.
5. Smt. Sheela Singh, W/o Shri Ramjee Singh, Presently residing at Village & PO Beruli, Baniapor, District Saran, Bihar-841403.

.....Respondents

Advocates, who appeared in this case:

For the appellants-FI	Shri Alok Rai, Advocate
For the respondent No. 1	Shri Tanmay Sadh, Advocate
For the respondents No. 2 to 5	None

JUDGMENT

Date of Pronouncement: 05.01.2026

JUSTICE R. D. KHARE, CHAIRPERSON

1. The present appeal has been filed under section 20 of the Recovery of Debts Due To Banks And Financial Institutions Act, 1993 (hereinafter referred to as "the RDDBFI Act") against the Judgment and order dated 02.07.2020, whereby the O.A. No. 154/2012 filed by the appellant-FI has been allowed.

2. Brief facts of the present case are that the respondent no. 1 is a company, which was granted financial assistance by the respondent-Bank through its managing directors, respondents no. 2 to 5. In order to secure the same, the respondents no. 2 to 5 stood as guarantors and each of the respondents executed letter of personal guarantee dated 07.07.2008. In addition to it, the respondent no. 1 through respondent no. 2 as well as the respondents no. 3 and 5 created equitable mortgage over their properties by depositing original title deed with the appellant-FI and also executed loan documents in favour of the FI. Since, the borrowers has failed to adhere the terms of the loan agreement, therefore, the account was classified as NPA on 30.11.2010. The appellant-FI filed an O.A. No. 154/2012 before the Tribunal below for its recovery of Rs. 2,55,96,798/- as on 23.07.2012 together with future interest along with interest @15.75% P.A at quarterly rest w.e.f 24.07.2012 till the date of actual realization of dues. The Tribunal below vide order impugned has allowed the said O.A. in toto, but has reduced the future interest from 15.75% to 10% Simple Interest from 24.07.2012 till realization of the entire sum due and recoverable with costs. Being aggrieved by a part of the said order, the present appeal has been filed by the appellant-FI.
3. Learned counsel for the appellant submitted that the question involved in the present appeal is that the interest part has been reduced from contractual rate of interest @ 15.75% to 10% simple per annum without giving any reason, which could not be done. It was therefore prayed that the order impugned may be set aside to the extent of reducing the rate of interest.
4. The aforesaid contention has been refuted by the learned counsel for the respondent-borrower stating that the

reasons have been assigned by the Tribunal below while reducing the rate of interest and in this regard, he has referred to paragraph No.16 of the order impugned at page No.25 of the memo of appeal, wherein it is observed as under:-

"However, considering the facts that entire sanctioned loan has not been disbursed by the applicant to the defendants, it is proper to order pendentelite and future interest @ 10% per annum simple interest".

5. Learned counsel for the respondent-borrower has referred to an order dated 26.08.2013 passed by the Tribunal below, which is at page No.72 of the memo of appeal, wherein on the basis of the report dated 17.07.2013 given by the Recovery Officer, it is observed that since the disbursement of the loan was not made by the respondent-Bank in time, therefore, the project could not be completed and by giving such observation, rate of interest has been reduced, which is just and legal in view of the principle laid by the Hon'ble Supreme Court in the judgment passed in Civil Appeal No. 8443 of 2010- Punjab and Sind Bank Vs. M/s Allied Beverage Company Pvt. Ltd. & Ors. Decided on 01.10.2010. It was therefore prayed that the appeal may be dismissed with heavy costs.
6. Heard the learned counsels for the parties and perused the record.
7. The main controversy in the present case is with regard to the reduction of rate of interest.
8. Admittedly, the Tribunal below while allowing the claim of the Bank has reduced the rate of interest from 15.75% to 10%, but for the same, reasons have been assigned by the Tribunal below in paragraph No.16 of the order

impugned, which is mentioned in the preceding paragraph of this judgment.

9. While going through the record and report dated 17.07.2013 given by the Recovery Officer, it is found that the appellant-FI has neither disbursed the entire sanctioned loan amount nor the amount was given in time, due to which the project could not be completed, therefore, the Tribunal below has rightly reduced the rate of interest.
10. In addition to above, no doubt, bank can claim the interest, which is settled at the time of advancing the loan till the closure of the same. But in case of the account being NPA, the contract executed between the bank and the borrower comes to an end and no terms and conditions of the said agreement can prevail in future when recovery suit is filed before any Court of law. Once the suit is filed before the Tribunal by the bank claiming the amount including the interest, then it is the discretion of the court to award the compensation by way of interest in addition to the principal amount. However, in this regard, the Hon'ble Supreme Court has held in its judgment passed in Central Bank of India Vs. Ravindra and Ors., (2002) Supreme Court cases 367 as under:-

*"The principal sum adjudged would be the sum actually loaned plus the amount of interest on periodical rests which according to the contract between the parties or the established banking practice has stood capitalized. Interest pendente lite and future interest (i.e. interest post-decree not exceeding 6 per cent per annum) shall be awarded on such principal sum i.e. the principal sum adjudged on the date of the suit. It is well settled **that the use of the word 'may' in Section 34 confers a discretion on the court to award or not to award interest or to award interest at such rate as it deems fit.** Such interest, so far as future interest is concerned may commence from the date of the decree and may be made to stop running either with payment or with such earlier date as the court thinks fit."*

11. In view of the discussions as held above, there is no infirmity or illegality in the order impugned, therefore, the same does not call for any interference by this Tribunal. Consequently, the appeal is dismissed with no order as to costs

VN GIRI,PS



CHAIRPERSON